

Rhode Island Renewable Energy Fund

Request for Proposals for Purchase and Sale of Renewable Electricity to Large Electricity Customers

Updated November 24, 2003

I. Introduction and Summary

The Rhode Island Renewable Energy Fund (the Fund) announces the availability of approximately **\$370,000** to encourage the long-term purchase of renewable-energy based retail electricity supply (“green power”) by large electricity consumers in Rhode Island, including business, government, and institutional customers. The Fund invites proposals by large electricity consumers and/or registered retail electricity suppliers for the purchase and sale of green power to large electricity customers in Rhode Island.

It is the Fund’s intent to encourage the development of a sustainable market for renewable electricity that will continue even in the absence of continued program funding. Therefore, through this solicitation ***the Fund seeks to buy-down but not eliminate entirely the cost premium associated with purchasing green power.*** The Fund wishes to support the most qualifying renewable generation possible given its funds and expects that the marketers and large customers purchasing green power will promote their green power purchase publicly, thereby stimulating further green power purchases by others. Under this open solicitation, the Fund expects to fund multiple proposals.

This program is flexible and is intended to support creative and effective initiatives by marketers or large customers. Bidders are encouraged to propose innovative approaches to maximize the impact of the available funds. Such approaches might include, for example, customer rebates or a per-kWh purchase incentive. Proposals will be evaluated on several factors, including cost, renewable energy product content, sustainability, likelihood of project completion, leverage, and administrative ease.

Proposals will be evaluated as received. The Open Solicitation will be available **through March 31, 2004** or until all funds are committed, though funding may be paid out to winning bidders after this date. Extension of the program beyond this deadline will depend on program results and the continued availability of funds.

II. Background

The Rhode Island Renewable Energy Fund, initially created through the Utility Restructuring Act of 1996, generates funding from a surcharge of 0.3 mills per kilowatt-hour on electricity consumption in Rhode Island in order to promote renewable energy in Rhode Island. The mandate of the Fund includes promoting renewable energy technologies that harness wind, solar, low impact hydropower

(including ocean power), biomass and geothermal resources. The Fund is administered by the State Energy Office in consultation with the Rhode Island Renewable Energy Fund Advisory Board. The Advisory Board consists of 15 voting and 5 nonvoting members from environmental advocacy groups, state and federal government energy and environmental agencies, industry, universities, electric utilities, etc.

Several renewable energy programs intended to jump start and build the long-term market demand for energy from renewable resources in Rhode Island have also been implemented by the Fund. In addition to the program described in this RFP, the Fund has invested in efforts to develop new local and regional renewable energy supply, and continues to invest in green power customer education, aggregation and market-building efforts. An open program designed to reduce a retail green power suppliers' cost to provide Rhode Island's small customers with green power is also available. These efforts are detailed in the Fund's web site.

These programs are intended, in combination, to begin to initiate a base of regional renewable energy generation and build a long-term customer-driven green power market to support that generation within Rhode Island. Applicants to this solicitation should become familiar with other approved programs offered by the Fund before submitting project proposals and may participate in more than one program or team with other program participants. For example, a retail electricity supplier may jointly seek to pursue large customer demand incentives, while also pursuing available supply incentives with a generator.

III. Solicitation Details

Bidder Eligibility

Both large electricity customers in Rhode Island and retail electricity suppliers registered in Rhode Island are encouraged to submit proposals under this solicitation:

Large customers are defined as customers located in Rhode Island that are neither Residential nor individual Small General Service customers. In addition to supporting direct large electricity customer green power purchase proposals, the Fund will also consider funding applicant's proposals to help their employees or customers buy green power (i.e. by discounting or subsidizing a portion of the cost premium), and is also open to chain stores or general service customers covering purchases for at least five sites.

Eligible electricity suppliers must be either registered to sell electricity at retail in Rhode Island, or have a registration application pending¹, and may include: (1) those that are seeking funds to serve a particular large customer with green power and, (2) those that intend to market a particular green

¹ The Collaborative may at its discretion make the distribution of funds contingent upon completed registration.

power offering to multiple customers. In the latter case, the Fund reserves the right to place progress milestone conditions on applicants and applicants may forfeit reserved funds if such milestones are not being met. This condition is intended to ensure that suppliers do not hold up scarce funds for an undue length of time while seeking green power purchasers.

Retail electricity suppliers and large electricity customers are encouraged to collaborate in submitting funding proposals.

Proposal Eligibility

Under this solicitation, the Fund will favor proposals that:

1. Include higher percentages of energy produced from renewable generation sources as defined in the Act, i.e., power generation technologies that produce electricity from wind, small scale (less than 100 MW) hydropower², solar energy, sustainably-managed biomass³; and fuel cells using non-renewable fuels.
2. Maximize the amount of new renewable generation, defined as those facilities that first entered commercial after January 1, 1998;
3. Encourage or require a long-term customer commitment to purchase or support green power;
4. Ensure that customers are purchasing renewable energy because of renewable energy's environmental or price-stability benefits⁴; and
5. Maximize the degree of leverage provided by the funding of the proposal through, for example, public promotion of green power, thereby stimulating green power purchases by others.

Eligible green power sales/purchase agreements will generally include retail electricity supply arrangements through registered retail electricity suppliers, whereby the customer terminates its current electricity supply arrangement. Applicants are expected to provide accurate information to

² Hydropower must not require the construction of new dams.

³ The Collaborative considers “*sustainably managed biomass*” to include, at a minimum, generation utilizing landfill methane or digester gas in internal combustion engines, micro-turbines, or fuel cells. Applicants may propose other biomass fuel and generation configurations, however the burden will be upon the applicant to explain and justify why the proposed project and its fuel stream should be considered sustainably-managed biomass.

⁴ For instance, a proposal ensuring that renewable energy is initially being purchased at a premium relative to the prevailing standard offer service rate or the lowest priced available competitive product, with Collaborative funds only being used to offset a portion of the cost of the purchase. Fixed-price contracts with duration of at least 3 years that feature renewable resources as a hedge against future higher electric supply costs are acceptable, so long as the pricing does not establish renewable energy at a discount to commodity supply offerings.

potential customers about their ineligibility to return to standard offer service at this time once those customers choose competitive electricity supply (if applicable).

Proposals for offerings involving the purchase of “tradable renewable credits” or TRCs, whereby the customer purchases the renewable energy “attributes” separate from retail electricity supply (and which therefore does not require a customer to switch electricity suppliers), will also be eligible, provided that (a) such offerings must be from entirely *new* (post-1998) renewable generation sources (as defined in the Act), and (b) provided that the supply attributes are verified via source-specific NEPOOL Generation Information System (“GIS”) Certificates.. Suppliers of such TRCs seeking funding under this program will be required to register with the Rhode Island Division of Public Utilities and Carriers as an electricity supplier.

Applicants must provide evidence to assure the Fund that the sale of renewable energy has occurred. The NEPOOL GIS (www.nepoolgis.com) will be the primary means for documenting that generation attributes are associated with Rhode Island customers, and all evidence must be consistent with the GIS and its Operating Rules. Applicants may be required to open their power purchase and sales records to third party inspection under confidential conditions to verify their green power purchase or sale.

Applicant must describe the current and future disposition of any emission reduction credits, emission allowances, or air emissions offsets for NO_x, SO_x, CO₂, or any other air emission benefit (“secondary attributes”) that may be conferred upon or associated with the renewable resources constituting the product content, e.g. they are retired, title is passed along to the retail customer, sold off for supplementary revenue, or other (describe). The Fund will require that retail electricity suppliers disclose the fate of such secondary attributes to their customers and to the Fund. Proposals that would credibly retire any such credits upon sale to an end-use customer in Rhode Island will be strongly preferred to proposals that sell these credits separately from the renewable energy.

Fund Availability and Distribution

\$370,000 is available under this solicitation. Applications may be submitted at any time after receipt of this RFP through March 31, 2004. The Fund will act on applications in the order received. The Fund may, however, distribute funds over several years to projects approved as a result of this RFP.

Applicants are encouraged to propose creative approaches to supporting the purchase of green power by large customers. Possible funding structures include, but are not limited to:

- **Customer Rebate:** A fixed grant to either the supplier or the customer, distributed upon green power delivery, intended to buy-down a portion of the cost of the purchase.
- **Purchase Incentive:** A cents/kWh incentive offered to the customer or the marketer based on kWh of green power purchased/sold.

Funds may be paid to either the green power purchaser or the green power seller.

The Fund strongly prefers to “pay on performance.” Funds will therefore only be distributed once

purchase of green power has occurred, unless a proposal presents a compelling argument for earlier funding.

Evaluation Criteria

The Fund seeks to provide the maximum degree of flexibility to bidders in structuring their proposal and the funding under that proposal. In evaluating proposals and selecting those to fund, the Fund will use multiple criteria including:

- **Cost-Effectiveness of Funding Request.** Those proposals that maximize renewable energy sales to large customers at minimum cost to Rhode Island shall be preferred. To ensure the sustainability of the purchase, this solicitation is intended to offset only a portion of the cost of renewable energy purchases. Proposals that intend to cover the entire initial cost premium through this funding solicitation are unlikely to be successful. Fixed-price contracts with duration of at least 3 years that feature renewable resources as a hedge against higher future electric supply costs are acceptable.
- **Renewable Energy Supply Sources.** Project proposals that include a higher percentage of renewable energy sources as defined in the Act will be preferred, particularly if those sources are based in Rhode Island. Proposals that emphasize and maximize the purchase from new renewable energy sources will be heavily favored.
- **Sustainability.** Bidders will be required to demonstrate to the Fund how funding of the proposal will have a sustainable impact. A long-term renewable energy purchase commitment by the customer will serve as one such demonstration.
- **Likelihood of Success.** The Fund will favor proposals that have a high degree of likelihood of success. Proposals that identify specific customers that have agreed to purchase a specific renewable energy offering from a specific retail electricity supplier will be preferred. Proposals from customers that commit to promptly launch an RFP for green power supply will also be favored. Proposals by retail electricity suppliers that intend to market a particular green power offering to multiple (not yet identified) customers will be considered to the extent that specific progress milestones are established. The experience of the applicant will also be considered here. All else equal, proposals with earlier start dates will be preferred.
- **Leverage.** The Fund strongly prefers proposals that can leverage other green power market activity and stimulate additional green power sales on the part of others. This criterion will be a principal point of evaluation for the Fund. Proposals that include specific actions of customers or marketers to promote the purchase of green power to others will be favored. Such activity might include:
 - development of press releases and news articles about the purchase,
 - providing information to employees or customers on the benefits of renewable power and their green power purchasing options, and

- development of in-store, point-of sale displays on green power, inclusion of green power on packing of items sold to retail customers, or cross-marketing of green power and other products.
- **Administrative Ease.** Proposals for fund distribution that are easy to verify and administer will be preferred.

After evaluating proposals, bidders may be asked to provide more detailed information before the Fund completes its selection process. The Fund, after receiving bids, reserves the right to disapprove any or all of these proposals. Approval is subject to continued availability of funds.

IV. Proposal Application for Funding Package

Proposals must contain the following key elements. Proposals that do not include this mandatory information will be disqualified.

Cover Letter

Cover letter should acknowledge the proposal transmittal, should certify to the accuracy of the information submitted in the proposal, and (if a retail supplier is one of the applicants) should certify that the supplier will provide accurate information to potential customers about their ineligibility, at this time, to return to standard offer service once those customers choose competitive electricity supply (if applicable).

Description of Applicant

- Company name(s)
- Mailing address
- Mail telephone number
- Main fax number
- Website address
- List of key members of project team
- Description of main business of applicant(s)
- If applicant is a retail electricity supplier and/or TRC supplier, a statement of qualifications that details the applicant's experience in selling electricity at retail and renewable energy; evidence that the supplier is registered in Rhode Island or has applied for registration is also required.
- If applicant is an electricity customer, a statement indicating why the customer is pursuing a renewable energy purchase and/or describing similar purchases in other jurisdictions.
- If multiple organizations are involved in a single proposal, description of relationship between

organizations

- Identification of applicant contact person(s), title, phone number, fax, e-mail (resume should be attached)

Proposal

- **Overall Proposal Description:** Applicant should provide an overall description of the content of their proposal.
- **Product Content, Amount, Cost, and Contract Information:** Applicant shall provide information of the content (e.g., solar, wind, etc., and whether “new” renewables are included), amount (e.g., kWh per year total and for each resource type and for “new” renewables), and cost (e.g., cents/kWh) of the renewable energy supply to be purchased or sold. Applicants shall also provide information on the proposed length of the purchase commitment of the customer. Applicant shall describe whether the purchase is a “certificate-based” or TRC transaction or is part of a retail electricity supply arrangement.
- **Funding Amount and Structure:** Applicants must describe in detail the amount and structure of the funding that they are requesting from the Fund. Applicants must demonstrate that requested funding will cover only a portion of the initial cost of the overall renewable energy purchase. Projects that have a high degree of co-funding from customers, retail electricity suppliers, and/or third parties will be favored. Applicants should be aware that the Fund strongly prefers to “pay on performance,” as described earlier. Applicants are required to demonstrate how their funding proposal matches this criterion.
- **Verification Methods:** Applicant must describe how verification will occur to ensure the Fund that renewable energy of the appropriate quantity and type has indeed been sold in Rhode Island.
- **Treatment of “Secondary Attributes”:** Applicant must describe the disposition of any emission reduction credits, allowances, offsets or air emissions that may have been conferred upon or associated with the renewable resources constituting the product content, e.g. they are retired, title is passed along to the retail customer, sold off for supplementary revenue, or other (describe). The Fund expects retail electricity suppliers to at very least disclose the fate of such secondary attributes.
- **Status and Timeline:** Applicants will provide a description of the status and proposed timeline of their offering or contract. All bids must have a realistically attainable expected timeline. Documentation that demonstrates that the applicant will be able to take delivery of renewable power within the stated time line should be provided. Other information documenting the likelihood of completion of the proposed activities should be provided here. Letters of commitment from customers and marketers are requested as an attachment.
- **Proposed Leveraging Activities:** Applicants are required to detail how they propose to “get the word out” about their purchase/sale or about green power in general, and how these activities might leverage further green power purchases in the State. Responses to this question will serve

as a major evaluation criterion.

Attachments

- The resume of the identified contact person (mandatory) as well as key team members (if desired)
- Documentation of Proposal Accuracy

Any documentation to warrant or demonstrate the accuracy of the information provided in the proposal should be attached here. For example, if a specific electricity customer is identified in the proposal, where possible, bidders should provide a letter of commitment from that customer indicating their intention to purchase renewable electricity. If a specific retail electricity supplier or product is identified in the proposal, where possible, applicants should provide letters of commitment from that supplier indicating their intent to supply the service described.

Proposal Length

Not including cover letter and attachments, proposals should not exceed 20 single spaced pages.

V. Proposal Submission

Proposal Submission Date

This solicitation shall remain open to proposals until close of business March 31, 2004. However, proposals will be reviewed on a first come, first serve basis until funds are allocated, so applicants are encouraged to apply early for funding.

Written Questions

Questions should be directed in writing to Janice McClanaghan at the address and e-mail above.

Delivery Instructions:

Six bound copies, one unbound copy, and an electronic copy of bidder's proposal should be submitted to:

Janice McClanaghan - Chief of Energy and Community Services State Energy Office Division of Central Services 1 Capital Hill Providence, RI 02908-5853 (401)222-3370 JaniceM@gw.doa.state.ri.us
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Treatment of Proposals

Responses will be reviewed by a subcommittee of the Fund's Advisory Board, which may include the Fund's consultants. Information of a commercially sensitive nature, as defined in Section 38-2-2(4)(B) of the Rhode Island General Law, (namely, trade secrets and commercial or financial information ... which is of a privileged or confidential nature) shall be submitted under the following procedure only. Described the nature of the information and the reasoning for treating it as confidential, and submit it in a separate, sealed envelope marketed "confidential information", along with whatever information is necessary to clearly identify it as associated with your submission, including contact information. On receipt of advice from the Fund that such justification is consistent with applicable state law allowing confidential treatment of the enclosed material, the Fund will commit to treating such information as confidential and restrict access to review committee members only, under condition of confidentiality. Otherwise, you will be given the option of having the information returned unopened, or having it reviewed along with the remainder of your response without confidential treatment. The Fund will treat only such information clearly labeled as commercially sensitive as confidential. Such materials will be returned upon request.

The Fund reserves the right to not select any submitted bid. The costs incurred for preparation of the bidders' proposals will not be reimbursed.

The Fund will review any and all proposals on a first come, first serve basis as quickly as feasible. Unsuccessful applicants will be notified that their proposal was not accepted and the reasons for non-acceptance. At the sole discretion of the Fund, applicants may be given the opportunity to amend their proposal for resubmission.

Funding Contract

The State Energy Office's Administrator will issue a contract which will constitute the project contract. The State Energy Office reserves the right to terminate any funding agreement awarded through this solicitation for reasonable cause, including: (1) material change in the project as it is described in the application, (2) the Fund loses contact with the applicant for a period of months, (3) the applicants are determined to have knowingly provided false or misleading information to the Fund.